

SIDA'S STANDARD TERMS OF REFERENCE FOR ANNUAL AUDIT OF PROJECT/PROGRAMME SUPPORT

Introduction

Brief presentation of CEPS:

CEPS is registered as a non-profit association under Belgian law and thus has full rights and obligations according to Belgian law. CEPS is registered at "Registre des personnes morales" with registration number: 0424.123.986. CEPS was founded in 1983.

CEPS is a membership based organization. According to the statutes there are three types of members, *membres effectifs*, *membres adhérents et membres d'honneur*. Membres adhérents can be corporate or non-corporate members and they are paying members. They are considered regular members. Membres effectifs are the members of the Board and they have voting rights at the General Assembly.

CEPS is a think tank and forum for debate on EU affairs which aims to:

- Carry out policy research that leads to innovative solutions to the challenges facing Europe,
- Maintain the highest standards of academic excellence and unqualified independence
- Act as a discussion forum for all stakeholders in the European policy process and
- Produce a regular flow of authoritative publications offering sound analysis and constructive policy recommendations.

CEPS wishes to engage the services of an audit firm for the purpose of auditing "The three DCFTAs", as stipulated in the agreement between CEPS and Sida. The audit shall be carried out in accordance with international audit standards issued by IAASB¹. The audit shall be carried out by an external, independent and qualified auditor.

I. Objectives and scope of the audit

The objective is to audit the financial report for the period [year-month-day to year-month-day] as submitted to Sida and to express an audit opinion according to ISA 800/805 on whether the financial report of "The three DCFTAs" is in accordance with Sida's instruction for financial reporting as stipulated in the agreement including appendix between Sida and CEPS (hereafter called the "organisation").

¹ The International Auditing and Assurances Standards Board (IAASB)

II. Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below

- Follow up whether salary costs debited to the project are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.²
- Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Sida for the period.
- Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs
- Follow up whether the organisation has implemented the following recommendations from the assessment of internal control: Report on the review of internal control system of Centre for European Policy Studies (CEPS), January 2015. The examination includes reviewing whether the organisation has implemented the action points as described in the organisation's management response that has been submitted to Sida.
- Examine whether foreign exchange gains and losses are disclosed in accordance with agreement including appendixes.
- CEPS's compliance with rules and regulations in regard to taxes (e.g.PAYE)³ and social security fees.
- Follow up whether the organisation has adhered to the procurement guidelines annexed to the agreement.
- Review if outgoing balance for previous period is the same as incoming balance for the current period.

Follow up of funds that are channelled to implementing partners

- Does the organisation have signed agreements with partner organisations?
- Are the audit requirements in agreements with implementing organisations in accordance with the organisations agreement with Sida?
- Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between the organisation and Sida for funds for the previous year. The review shall include whether the organisation

² If the budget includes salary costs to be debited to the project, the auditor shall always examine salary costs as stipulated here.

³ Pay As You Earn

makes documented assessments of the audited financial reports submitted to the organisation and whether these reports are followed-up by the organisation. The review shall include verification of contributions equivalent of a minimum of 70 % of the total of disbursed funds. The review shall also include any observations from auditors that Sida should be informed about.

III The reporting

The scope of the audit shall be stated in the report and the methodology used shall be presented.

The reporting shall be signed by the responsible auditor (not just the audit firm) and title.

The reporting from the auditor shall include an independent auditor's in accordance with the format in standard ISA 800/805 and the auditor's opinion shall be stated clearly, as well as a Management letter with audit findings and weaknesses identified during the audit process. The auditor shall regardless of materiality quantify the amount for costs missing sufficient supporting documentation. The auditor shall make recommendations to address any weaknesses identified, and the recommendations shall be presented in priority. If the auditor assesses that no findings or weaknesses have been identified during the audit that results in a Management letter, an explanation of this assessment must be disclosed in the audit reporting.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management letter.

The additional assignment according to agreed upon procedures under paragraph III shall be reported in a separate part in accordance with the terms of reference.